Chapter 15

New Insights into Consumer Loyalty of Website–Services:
The Quadratic Effect of Flow

Jamie Carlson  
University of Newcastle, Australia

Dennis Ahrholdt  
Hamburg School of Business Administration (HSBA), Germany

Ramaswami Sridharan  
University of Newcastle, Australia

Togar Simatupang  
Bandung Institute of Technology, Indonesia

ABSTRACT

While the study of flow has attracted the interest of scholars seeking to understand its nature and effects on consumption-related behaviours, it has received limited attention from Internet researchers seeking to understand the relative role of flow in forming consumer loyalty and the functional form of flow’s effect. The study uses two data sets of 406 Australian consumers of a website-service delivered in the sport field to investigate, first, the interplay of flow with the established loyalty drivers satisfaction and trust, and, second, by extending the analysis to the investigation of the functional form of flow’s influence on consumer loyalty. The results show that flow is acting in parallel with satisfaction and trust to enhance consumer loyalty. Thereby, flow has a negative, quadratic form; that means higher levels of flow have diminishing incremental returns with loyalty and, consequently, a saturation zone of the effect of flow on loyalty is confirmed.

This chapter contributes to the study of flow theory development in the online environment by analysing its quadratic effects on consumer loyalty and flow’s role acting in parallel with satisfaction and trust. In doing so, the research reveals efficient key resource allocation implications to enhance consumer loyalty, as well as future research directions to further advance the development of flow theory.

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INTRODUCTION

In addition to the established essential factors of satisfaction and trust for e-commerce success (Ahrholdt, 2011; Finn, 2012; Evanschitzky et al., 2004; Bart et al., 2005), which is illustrated through consumer loyalty (Wang, 2011), the provision of compelling service experiences for consumers has become an important issue, one that has been often been embedded in the concept of flow (Hoffman & Novak, 2009; Novak et al., 2000). Flow can be described as a perceived state of effortless action, loss of time, and a sense that the experience stands out as being exceptional compared to everyday life (Csikszentmihalyi, 1997). In highlighting the importance of flow and the creation of compelling online experiences, Hoffman and Novak went as far as declaring that “creating a commercially compelling website depends on facilitating a state of flow for consumers [and that]…an important objective for marketers is to provide these opportunities” (Hoffman & Novak 1996, p. 66). From a firm perspective, e-commerce practitioners have been encouraged to orchestrate a specific environment (and set of conditions) for consumers to experience flow. This is highlighted by Rubinstein and Griffiths (2001) who argue “[on] the Internet you have to orchestrate everything to deliver a highly differentiated and consistent positive experience” (p. 401). On this basis, the Internet can be used as a tool to create and deliver unique and memorable website-service experiences which contribute to the development of flow for the consumer, as opposed to just facilitating transactions and the provision of information. Although flow can be determined by many individual characteristics (such as skill, knowledge and brand attitude), managers need to engineer compelling website-service performances (through the interface) which enable consumers to achieve a flow state (Carlson & O’Cass, 2011). Consequently, the concept of flow has attracted significant attention in understanding its nature and effects from both marketing and information systems researchers where it continues to develop and evolve.

Although, a body of empirical work confirms that the inducing flow experiences for consumers in the online environment has a positive influence on website loyalty such as purchase behaviour, site revisits, and word of mouth referrals (e.g. O’Cass & Carlson, 2010; Richard & Chandra, 2005; Skadberg & Kimmel, 2004) empirical analyses concerning the relative importance of flow, when acting together with established important factors as consumer satisfaction and trust are sparse. Moreover, findings by Internet researchers in some e-service categories indicate that flow has a weak effect on loyalty (Hsu, Chang, & Chen, 2012), with others not able to discover a significant influence of flow on loyalty when tested only for a linear effect (Koufaris, 2002). Thus, at this stage of flow’s theoretical development in the online environment, researchers have yet to address or consider, first, the interplay of flow with the established consumer loyalty drivers satisfaction and trust and, second—in the light of the inconsistent findings concerning flow’s effect—, by extending the analysis to the investigation of the functional form in the flow loyalty relationship with the prevalent practice to assume a linear relationship. For example, does flow have an increasing incremental effect as demonstrated by a convex relationship with loyalty? That is, the incremental effect of flow on loyalty is more positive at higher levels of flow as perceived by consumers than at lower levels. Or, does flow have a decreasing incremental effect as demonstrated by a concave relationship with loyalty? Such understanding into the presence of potential non-linear effects and into the interplay with the important variables satisfaction and trust will enable further advancement into the conceptual richness of flow in the online environment. Furthermore, this would provide additional insights for firms to optimize the investment resources required by the firm to
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